



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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Remarks of Sen. Chuck Grassley, of Iowa
Chairman, Senate Committee on Finance
Luncheon Meeting of the European-American Business Council
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"The Road to Qatar"

Thank you for the opportunity to be here today. The European-American Business Council is one of the premier trade associations in Washington, and a leader in transatlantic relations.

It was not so long ago that the first word one would say when talking to a transatlantic audience was bananas. Well, I'm not going to break with tradition. So, what I'd like to talk about first today is bananas!

But, not in the way that you might think. Believe it or not, bananas may be one of our first steps on the road to Qatar. We've had years of contentious debate over a product which neither the U.S. nor Europe produce. But Ambassador Zoellick and Commissioner Lamy reached an amicable solution earlier this month. If implemented, the agreement will remove a major irritant from our bilateral relations.

So I'm going to talk about bananas. But, in a good way. The banana agreement demonstrates our ability to resolve difficult issues in a constructive manner.

Whenever we talk about the US-EU trade relationship, one of the first things mentioned is the closeness of our two economies. This is true -- we do have the largest bilateral trading relationship in the world.

The second thing which is mentioned is that our good relationship is often overshadowed by a few difficult bilateral disputes. This is also true.

All too often bilateral disputes, such as bananas, keep us from focusing on the big picture. They impede our ability to enhance an already productive relationship. They hold us back from reaching our full potential.

Well it is time to move forward. In just a few months we will be meeting in Qatar. There, we hope to launch a new round of negotiations under the World Trade Organization.

The launch is critical to moving the multilateral trade agenda forward. What I'd like to do this afternoon is lay out a few key steps we can take to ensure that Qatar is a success.

First, we need a positive environment between the US and EU. We need an environment which helps cooperation and constructive dialogue. Resolving the banana dispute is a good first step. It shows that, by working together, we can achieve a successful outcome. Ambassador Zoellick and Commissioner Lamy are to be congratulated for their good work.

I hope this is just the beginning. I hope we can reach consensus on other important issues such as beef hormones and steel.

This is not a precondition to success in Qatar. But resolving these bilateral problems is an important element. It is also an element over which we have some control. If we succeed, it will go a long way to creating a positive, forward looking agenda for Qatar.

But we need to do more than try and resolve persistent bilateral disputes. We also need to carefully manage disputes that may arise in the near future. In that vein, allow me to talk for a minute about a potentially explosive issue – the dispute over the foreign sales corporation law.

Most of you know that the World Trade Organization interim report on the current foreign sales corporation law is expected next month. If -- and I emphasize IF – the World Trade Organization finds against the U.S. the prospect for increased tension before Qatar is very real. We need to work hard to make sure this does not happen.

There are ways to resolve issues such as this. I do not have the answer today. But I hope we all keep an open mind, avoid the harsh rhetoric, and be patient. A little bilateral understanding can go a long way to creating a positive environment.

Another key step I would suggest on the road to Qatar is to find a forum where we can talk about issues and build consensus on what a new round might look like. For example, I strongly favor a meeting of the Quad countries in the very near future.

I think this meeting can help define the scope of discussions in Qatar. I also think it provides additional opportunities to resolve outstanding issues with the EU. This is not absolutely necessary to launch a new round. But a successful meeting of the Quad can send a strong signal about prospects for a new round.

A third key step we can take is here in the United States Congress. And that is passing trade promotion authority for the President this year. Passing trade promotion authority is a top priority for me. I vow to do everything in my power and to work hard to get it done.

But I know this cannot be done by Republicans alone. If we are going to succeed, we are going to have to do it on a bipartisan basis. That means working closely with the Democrats to achieve real consensus on U.S. trade policy.

This makes sense. Free trade is not, and should not be, a partisan issue. Free trade benefits all Americans, Republican and Democrat. It provides all of us with a better standard of living. Free trade serves common American interests by reducing poverty abroad. Free trade enhances common American values by promoting democracy and freedom. So, trade is not a Republican or Democratic issue, it is a vital issue for all of us.

Now, I know that a lot of Democratic members are worried about labor rights and the

environment. They would like to link these issues to trade. I want to make this as clear as I can today. While I may not support linkage, I'm open to looking at these issues and finding a way to bridge the gap between us.

But, I think it's important to keep some principles in mind. First, I do not want to use trade sanctions as a tool to enforce labor rights and environment standards abroad. My concern is that labor rights and the environment standards will be used as an excuse for protectionism. We cannot allow this to happen. Protectionism does not raise labor or environment standards. In fact, it might reduce them.

We know from history that free trade lifts labor and environment standards. The more open an economy is, the more wealth it has. The more wealth it has, the more resources are devoted to improving worker rights and the environment.

The opposite is also true. The poorest countries in the world tend to have the most protected economies. They also tend to have weaker worker rights and lower environmental standards. So protectionism, even in the guise of protecting labor and the environment, is not the answer.

In my mind there should be one test on any proposed linkage – does the proposal meet the intended objective? That is, does it actually serve to improve labor rights and the environment? If it does not, it should be rejected.

There are other steps we can take which can improve labor rights and the environment abroad. Here I'm talking about things such as technical assistance through the World Bank. Enhancing the International Labor Organization. Or eliminating agriculture export subsidies. I'm sure there are others as well.

But the message I want to send today is that I want to work with Democrats and Republicans to find common ground to move trade promotion authority this year. It's important. By doing so, we'll provide additional momentum to launching a new round of negotiations in Qatar.

We all appreciate the importance of US-EU relations. But we cannot not take our relationship with the European Union for granted. We also cannot assume that Qatar will be a success. We have to prepare today.

The road to Qatar can be a productive beginning to an even stronger US-EU relationship. Let's hope the road is paved with bananas. Thank you.